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Report of the Trade and Development Board on its sixtieth executive session*

Geneva, 10-12 December 2014

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Introduction

1. The sixtieth executive session of the Trade and Development Board was opened by the President of the Board on Wednesday, 10 December 2014. In the course of the session, the Board held two plenary meetings.

I. Action by the Trade and Development Board

A. Matters requiring action by the Board arising from or related to reports and activities of its subsidiary bodies

1. *The Least Developed Countries Report 2014: Growth with Structural Transformation – A Post-2015 Development Agenda*
(Agenda item 2)

2. The Trade and Development Board took note of *The Least Developed Countries Report 2014* (UNCTAD/LDC/2014).

2. Report of the Working Party on the Strategic Framework and the Programme Budget on its sixty-ninth session
(Agenda item 3)

3. The Chair of the sixty-ninth session of the Working Party on the Strategic Framework and the Programme Budget presented its report.

4. The Board took note of the report of the sixty-ninth session of the Working Party on the Strategic Framework and the Programme Budget as amended and contained in document TD/B/WP/267/Rev.1 and endorsed the agreed conclusions of the Working Party approved during the session. The focus of the agreed conclusions of the sixty-ninth session of the Working Party was the proposed programme narrative for the biennium 2016–2017 as contained in document TD/B/WP(69)/CRP.1/Rev.1.

B. Other business
(Agenda item 4)

5. Under this agenda item, the Board:

(a) Approved the nomination of India as a member of the Working Party for 2015;

(b) Approved the applications of two non-governmental organizations, the Center for Democracy and Technology and the Global Foundation for Democracy and Development, as contained in documents TD/B/EX(60)/R.1 and R.2, respectively;

(c) Approved the revised calendar of meetings for 2015 (TD/B/EX(60)/CRP.1). The President said that the secretariat would issue an updated calendar of meetings for 2015;

(d) Adopted the draft provisional agendas for the seventh sessions of the Trade and Development Commission and of the Investment, Enterprise and Development Commission (see annexes I and II).

II. President's summary

A. Opening plenary

6. In his opening statement, the Secretary General of UNCTAD emphasized that *The Least Developed Countries Report 2014: Growth with Structural Transformation – A Post-2015 Development Agenda* was the last of a series of UNCTAD reports published in 2014 that revolved around the issues of the post-2015 development agenda.

7. Although the sustainable development goals were in the process of negotiation, they were likely to be infused with development objectives of higher ambition than seen in the Millennium Development Goals. Taking stock of the shortfalls in progress towards the Goals and focusing on the strengths of the experience would be crucial in attaining the sustainable development goals. The key findings of the Report pointed to the interconnected relationship between economic structural transformation, the diversification of economies and the achievement of the Millennium Development Goals. The path of sustainable growth took a balanced treatment between the objectives of economic and human growth and development. In this regard, the Report helped enrich the interface between the end of the era of the Millennium Development Goals and conceptualization of the more ambitions sustainable development goals.

8. The Director of the Division for Africa, Least Developed Countries and Special Programmes presented the main points of *The Least Developed Countries Report 2014*. The main interest of the Report was the future – that is to say, the post-2015 development agenda – but to understand the future, the Report looked back at past experiences of least developed countries (LDCs), particularly their performance on the Millennium Development Goals. Their recent experiences showed that growth alone was insufficient for development. Growth without dynamic structural change that shifted resources into value-adding activities and sustained productivity growth locked countries into a dead end. History showed that sustained development was achieved through the transformation of productive activities from low to high productivity and the diversification of production and export patterns. Thus, LDCs needed to pay close attention to growth patterns and drivers of the economy.

9. The following groups and delegations delivered statements: the Philippines, on behalf of the Group of 77 and China; Benin, on behalf of the LDCs; the United Republic of Tanzania, on behalf of the African Group; the European Union and its member States; Uruguay, on behalf of the Latin American and Caribbean Group; the Philippines, on behalf of the Asian Group; Switzerland, on behalf of the JUSSCANNZ group; Bangladesh; Ethiopia; Morocco; China and Kenya.

10. All speakers commended UNCTAD for the relevance, originality, timeliness and high-quality analysis of the Report, particularly in providing an evaluation of the performance of LDCs on the Millennium Development Goals with a view to the

formulation of the post-2015 development agenda. The Report was a very useful tool for policymaking relating to those countries. Several speakers supported the approach of the Report in formulating guidelines or lessons learned from the Millennium Development Goal process to inform the post-2015 development agenda.

11. Several delegates emphasized the unique role of UNCTAD in providing policy analysis and support to LDCs and expressed their support for UNCTAD research on and technical cooperation to LDCs. They urged UNCTAD to disseminate its research findings and policy recommendations as widely as possible so as to inform the policy debate.

12. One delegate said that the Report was a reflection of the forward-looking nature of current UNCTAD leadership in facing new global challenges; he encouraged the further exploration of how UNCTAD related to the new international challenges posed by the post-2015 development agenda and efforts to meet the ambitious expectations of its membership. A speaker from a non-LDC highlighted the importance of LDC development to his country, since many neighbouring countries in the region were LDCs. Hence, the relevance of the Report.

13. Most delegations supported the Report's concept of the "LDC paradox", leading to the conclusion that economic growth alone would not result in sustainable development, particularly in a globalized economy, without structural transformation, productivity growth and job creation. To achieve this, they welcomed the domestic policy options put forward in the Report. Some delegations said that LDCs should pursue development strategies better suited to their circumstances. In this regard, some speakers focused on the critical role of agricultural and rural economic diversification in the transformation process and sought future guidance from UNCTAD on this issue.

14. The international community should fulfil its commitments concerning development assistance. Some delegates recalled the importance of the full implementation of the Paris Declaration on Aid Effectiveness, as well as that of reforming international institutions in support of sustained development in LDCs. In the view of one speaker, development assistance was important; so was domestic resource mobilization, particularly by the private sector. Establishing an enabling regulatory environment could boost alternative sources for financing development, such as public–private partnerships, foreign direct investment and remittances flows. However, the ultimate responsibility for development lay with national governments.

15. Several speakers supported the view that the LDC paradox reflected the shortcomings of the Millennium Development Goal exercise itself: while the Goals outlined specific targets, there was no explanation on how to achieve or implement them. There was indeed a need to rectify such an oversight, and some called for LDC-specific considerations in drawing up the post-2015 agenda. Several speakers recalled the importance of international tax cooperation to enhance resource mobilization for structural transformation. One speaker underscored the need for a governance framework within which to channel resources to more productive sectors of the economy. Another argued that the international community was doing its share – for instance, in terms of market access – while recognizing that considerable improvements could be made, such as in Aid-for-Trade programmes.

16. Some speakers highlighted the connection between economic structural transformation and the need to enter global value chains, as the capacity of LDCs to engage in those chains and international trade was minimal.

17. Other needs were assistance in measuring and benchmarking productive capacities in LDCs and greater synergies between UNCTAD and those countries, particularly in formulating counterbalancing policy perspectives and options – for example in the organization of the international trading system.

B. Panel discussion: *The Least Developed Countries Report 2014: Growth with Structural Transformation – A Post-2015 Development Agenda*
(Agenda item 2)

18. The high-level panel discussed the theme "Structural transformation and the post-2015 development agenda for LDCs". In his introductory remarks, the Director of the Division for Africa, Least Developed Countries and Special Programmes said that *The Least Developed Countries Report* was the only periodic United Nations report addressing LDC issues in a substantive manner. The 2014 edition was indeed timely, since 2015 would mark a turning point for development policy with the introduction of the sustainable development goals; further it highlighted some of the key messages concerning the LDC graduation debate. The Report found that those countries able to transform their economy and diversify their production into manufacturing performed consistently better on Millennium Development Goals than the remaining LDCs. These economies also experienced faster labour productivity growth and job creation in the industrial sector. Designing policies to foster structural transformation was therefore of critical importance in putting LDCs on the right track to join the ranks of the middle-income countries and absorb the shocks related to the change of status, for example the loss of preferential market access.

19. The panellists also discussed the many challenges faced by LDCs on their way to graduation. They recognized the important contribution of *The Least Developed Countries Report 2014* as the first comprehensive study on structural change in LDCs. The ambition of the Istanbul Plan of Action was the graduation of more than half of the LDCs by 2020 but in order to achieve that result, LDCs would need to overcome significant structural problems. Benin, for example had made significant efforts to meet the commitments contained in the Istanbul Plan of Action. During the last three years, the country had pushed forward major reforms aimed at increasing its productive capacities. The Government had actively supported the development of cotton and glass production; many enterprises had been formalized, and red tape had been cut to foster competitiveness of local firms. The country had also focused on craftsmanship through the widespread funding of microprojects; the provision of key infrastructure, such as electricity in rural areas; and the creation of an international craft fair. In the agricultural sector, the Government aimed to promote production and food security at the same time by implementing competition policies to create a level playing field and providing infrastructure and finance. While encouraging economic activity and competition, the Government had also strengthened the social protection network by creating a civil protection agency and improving health insurance.

20. The results of such vast reforms were reassuring: in 2013, its gross domestic product (GDP) had grown to 6.5 per cent (almost the double the rate of 2011); inflation, at 1 per cent, had finally been brought under control and the budget deficit had been substantially reduced down to 3.6 per cent of GDP. Nonetheless, challenges remained. The production structure needed to be further diversified, the country was still lacking human capital and the linkages between enterprises and the educational system required strengthening. Finally, intraregional integration should be reinforced and more efforts devoted in international forums to facilitate access to international markets.

21. With regard to structural transformation in the context of the post-2015 development agenda, many LDCs had experienced economic growth without structural transformation, with risks for sustained growth and quality jobs in the future, and the international community had focused narrowly on delivery of aid to social sectors, rather than working on the enablers of development. The world was witnessing a rebalancing of the international development agenda between economic, social and environmental aspects of development. Such a shift was likely to redirect the focus of the development debate beyond 2015 on structural transformation as a key driver of growth and human development.

22. There was a clear understanding of the process of structural transformation. It could be accomplished by shifting resources across sectors, that is to say, by moving labour from agriculture to higher productivity sectors such as manufacturing and services, and direct productivity changes could be made. For example, steps could be taken at the sectoral level by moving labour towards the most productive firms within a sector and at the firm level, by moving labour towards the most productive production lines. However, a precise measurement of this dynamic process was particularly challenging since transformation involved several dimensions and the growth decomposition exercises that had been performed in the past had been subject to a number of subjective assumptions.

23. Despite these difficulties, LDCs had made progress since the 1960s. In the previous two decades, aggregate productivity growth in African LDCs seemed to be explained mainly by direct productivity changes, while they appeared to lag behind Asian economies in terms of shifting labour across economic sectors. Further, even when a shift of resources towards more productive sectors had taken place, mainly in the 2000s, the data presented by one panellist showed the existence of static reallocation gains, but dynamic losses. After 1990, market service activities had expanded and absorbed a substantial part of the labour shed by agriculture. Although productivity levels in those services exceeded the average productivity level across all sectors, productivity growth was low; therefore, growth-enhancing structural change in Africa did not take place.

24. The shocks to demand and supply that LDCs were likely to experience in the near future called for the implementation of the right set of policy measures to put in motion economic transformation in LDCs. The panellists stressed the importance of the following policy areas: using industrial policies to alter the sectoral structure of production towards sectors that offered better prospects for economic growth, in particular by using special economic zones; strengthening the relationship between the State and business; and incentivizing development finance institutions and using aid in a more transformative way.

25. In the debate that followed, participants underscored the growth performance of several LDCs, which had allowed the expansion and improvement of their infrastructure.

III. Organizational matters

A. Adoption of the agenda and organization of work
(Agenda item 1)

26. At its opening plenary meeting, on 10 December 2014, the Trade and Development Board adopted the provisional agenda for the session as contained in document TD/B/EX(60)/1. Accordingly, the agenda for the executive session was as follows:

1. Adoption of the agenda and organization of work
2. *The Least Developed Countries Report 2014: Growth with Structural Transformation – A Post-2015 Development Agenda*
3. Report of the Working Party on the Strategic Framework and the Programme Budget on its sixty-ninth session
4. Other business
5. Report of the Trade and Development Board on its sixtieth executive session

B. Report of the Trade and Development Board on its sixtieth executive session
(Agenda item 5)

27. The Trade and Development Board authorized the completion of the report after the conclusion of the meeting under the authority of the President and the Rapporteur.

Annex I

Draft provisional agenda for the seventh session of the Trade and Development Commission

1. Election of officers
2. Adoption of the agenda and organization of work
3. Reports of expert meetings
4. Trade development policies and the post-2015 sustainable development agenda
5. Formulation of national policies in the context of existing regional trade agreements
6. Progress report on promoting and strengthening synergies among the three pillars
7. Other business
8. Adoption of the report of the Commission to the Trade and Development Board

Annex II

Draft provisional agenda for the seventh session of the Investment, Enterprise and Development Commission

1. Election of officers
2. Adoption of the agenda and organization of work
3. Reports of expert meetings
4. Mobilizing investment for development: Contribution of UNCTAD in the context of financing for development
5. (a) Entrepreneurship and sustainable development goals
   (b) Policies to promote collaboration in science, technology and innovation for development
6. Progress report on promoting and strengthening synergies among the three pillars
7. Other business
8. Adoption of the report of the Commission to the Trade and Development Board

Annex III

Attendance*

1. Representatives of the following States members of the Trade and Development Board attended the session:

Algeria
Austria
Azerbaijan
Bangladesh
Barbados
Benin
Brazil
Chile
China
Côte d'Ivoire
Cuba
Democratic People's Republic of Korea
Dominican Republic
Ecuador
Ethiopia
Finland
France
Germany
Greece
Haiti
Indonesia
Iraq
Japan
Jordan
Kazakhstan
Kenya
Latvia
Libya
Madagascar
Mauritius
Mexico
Montenegro
Myanmar
Nepal
Oman
Paraguay
Peru
Philippines
Poland
Qatar
Russian Federation
Saudi Arabia
Serbia
South Africa
Spain
Syrian Arab Republic
Switzerland
Trinidad and Tobago
United Kingdom of Great Britain and Northern Ireland
United Republic of Tanzania
United States of America
Uzbekistan
Yemen

2. The following non-member observer State attended the session:

State of Palestine

3. The following intergovernmental organizations were represented at the session:

African Union
Eurasian Economic Commission
European Union
Organization of Islamic Cooperation

4. The following specialized agencies and related organizations were represented at the session:

* This attendance list contains registered participants. For the list of participants, see TD/B/EX(60)/INF.1.

United Nations Industrial Development Organization
World Trade Organization

5. The following non-governmental organization was represented at the session:

General category

International Network for Standardization of Higher Education Degrees